BUSINESS MEETING

BEFORE THE

CALIFORNIA ENERGY RESOURCES CONSERVATION

AND DEVELOPMENT COMMISSION

In the Matter of:	)
	)
Business Meeting	)
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CALIFORNIA ENERGY COMMISSION

HEARING ROOM A

1516 NINTH STREET

SACRAMENTO, CALIFORNIA

WEDNESDAY, JANUARY 22, 2003

10:10 A.M.

Reported by:
Peter Petty
Contract No. 150-01-006

COMMISSIONERS PRESENT

William J. Keese, Chairperson

Robert Pernell

Arthur H. Rosenfeld

James Boyd

John L. Geesman

Margaret J. Kim, Ex Officio

STAFF and CONSULTANTS PRESENT

William Chamberlain, Chief Counsel

Steve Larson, Chief Deputy Director

Betty McCann, Secretariat

David Rubens

Paul Roggensack

Ken Koyama

Chris Calwell
Ecos Consulting

PUBLIC ADVISER

Grace Bos

ALSO PRESENT

Tracy Norberg
Rubber Manufacturers Association

I N D E X

P R O C E E D I N G S

10:10 a.m.

CHAIRPERSON KEESE: Call this meeting to order of the Energy Commission. Commissioner Rosenfeld, would you lead us in the Pledge, please.

(Whereupon the Pledge of Allegiance was recited in unison.)

CHAIRPERSON KEESE: Thank you. With regard to the consent calendar, item b, the California State University Foundation is over to the February 5th meeting. And the wording of item c, Department of Water Resources; possible approval of contract R500-02-017 to accept $23,104. That's rather than an expenditure, that's a receipt of money.

Do I have a motion on the consent calendar?

COMMISSIONER GEESMAN: So moved.

COMMISSIONER PERNELL: Second.

CHAIRPERSON KEESE: Motion, Geesman; second, Pernell. All in favor?

(Ayes.)

CHAIRPERSON KEESE: Opposed? Adopted five to nothing.

Item 2, battery back-up program. Possible approval of battery back-up system grants to 62 cities and counties totaling $2,893,209. Good morning.

MR. RUBENS: Good morning, Commissioners. My name's David Rubens and I'm the Program Manager for the battery back-ups. I am seeking Commission approval for 62 grant fundings for a total of $2,983,209 for those local governments.

These funds come from Senate Bill 84XX, which originally was $10 million, and these are the remaining funds. The Commission had approved before $6,910,297 for the first round. This is for the second round solicitation.

The staff has evaluated each of the applicants and they meet all of our criteria. The Energy Efficiency Committee has approved this. And the staff recommends approval for these grants.

COMMISSIONER PERNELL: Mr. Chairman.

CHAIRPERSON KEESE: Thank you. Commissioner Pernell.

COMMISSIONER PERNELL: Mr. Chairman, this is a win/win for local government, as well as

the Commission. Improved public safety, and it saves energy.

So, Mr. Chairman, I would move the item.

COMMISSIONER ROSENFELD: I second.

CHAIRPERSON KEESE: Motion, Pernell; second, Rosenfeld. Any further discussion?

All in favor?

(Ayes.)

CHAIRPERSON KEESE: Opposed? Adopted five to nothing. Thank you.

MR. RUBENS: Thank you.

CHAIRPERSON KEESE: Item 3, California oil -- let me mention at this time that item 5, in case anybody's here for that, emergency rulemaking on appliance efficiency regulations, has been put over to a later meeting

Item 3, California oil producers electric cooperative. Possible approval of contract 500-02-016 for $1 million to develop and provide distributed generation options for offgases at California oil well sites.

MR. ROGGENSACK: Good morning, Mr. Chairman and the Commission. My name is Paul Roggensack with the PIER industrial ag and water team.

This proposal from COPE is to enhance the use of distributed generation at oilfield sites. It's a request from the PIER program of $1 million. And it will develop a technology platform that will address problems that oilfield operators will have in converting to distributed generation.

It has a potential to create 400 megawatts that would displace from the grid, and will reduce up to 300 tons per year of NOx from other generation sources, plus NOx from flare gases.

And it has the potential to displace 120,000 tons per year of carbon dioxide from other generation sources. And it will improve the economic viability of small oilfield operators since electricity represents 40 to 60 percent of production costs.

CHAIRPERSON KEESE: Did I understand that this is a cofunded project?

MR. ROGGENSACK: It will be cofunded with the Department of Energy, who is also giving $1 million to the Interstate Oil and Gas Compact Commission. The two will work jointly on this project.

CHAIRPERSON KEESE: Would you characterize it as a $2 million project of which we're funding a million? Or --

MR. ROGGENSACK: That's correct.

CHAIRPERSON KEESE: -- two $1 million projects?

MR. ROGGENSACK: That's correct; it is a $2 million project of which we'll be funding half.

CHAIRPERSON KEESE: Thank you.

COMMISSIONER ROSENFELD: I move item 3.

CHAIRPERSON KEESE: Motion, Commissioner Rosenfeld.

PRESIDING MEMBER BOYD: Second.

CHAIRPERSON KEESE: Second, Commissioner Boyd. Any further conversation?

All in favor?

(Ayes.)

CHAIRPERSON KEESE: Opposed? Adopted five to nothing.

MR. ROGGENSACK: Thank you.

CHAIRPERSON KEESE: Thank you. Item 4, Fuel efficiency tire program. Possible adoption by the Commission of the recommendations requested by SB-1170 for the Governor and Legislature for a California State fuel efficiency tire program.

MR. KOYAMA: Good morning. I'm Ken Koyama from the Transportation Technology Office.

Today we are requesting approval of our fuel efficient tire report and recommendations.

This project stems from SB-1170 which requires the Energy Commission to prepare a report and recommendations for a program to improve energy efficiency in transportation through the use of fuel-efficient tires.

I want to recognize a couple of critical staff involved in producing this report, Bernard Treanton and Bill Blackburn sitting right behind me. Also want to introduce Chris Calwell, who is to the right of me, of Ecos Consulting, who, with his team, prepared the technical report which is volume two in your package.

What I'd like to do right now is to go briefly through the key findings and recommendations of the report.

The use of low rolling resistance tires on light duty vehicles can potentially save about 100 million gallons of gasoline a year if we assume the tires are replaced once every three years.

We also believe that a consumer campaign

for tire maintenance can also save 10 million gallons per year; that is informing consumers of the benefits of maintaining properly inflated tires.

SB-1170 requires us to develop a database on tires and tire characteristics. We asked the tire manufacturers to provide this data, but they responded that no data on rolling resistance existed that would be meaningful to this project.

The tire manufacturers also indicated that programs to encourage low rolling resistance tires may have tradeoffs in other tire characteristics, such as lowering tire life or lengthening braking distance on wet pavement.

As a result Ecos Consulting obtained 43 new tires to be tested for rolling resistance at an independent laboratory. The data was then correlated with various tire characteristics such as tread life, traction, cost and consumer satisfaction.

In all cases the data did not show a statistically high correlation among these characteristics and rolling resistance. We believe that substantially more data is needed to

gain statistical confidence in determining these correlations.

As a result, our recommendations include that if we implement a fuel efficient tire program we need, as a first step, to obtain significantly more data. We believe that we would need to test in each of the next two years about 300 tires of the thousands of tires available, or 700 tires if we include the sport utility vehicle and pickup tires.

If we were to sponsor tire testing of these 700 tires we estimate that about $700,000 is needed to conduct the tests and for the evaluation of the data.

We recommend that we continue to communicate with the tire industry and gain as much information from them as possible, and continued further requesting of the tire data.

We recommend that the Energy Commission evaluate the effectiveness of various consumer education labeling programs and how it would best be applied to tires.

And once we have obtained sufficient data, we recommend that we assist the California Department of General Services in developing

procurement bids by including rolling resistance criteria.

The companion study under SB-1170 will describe this option and methods to implement fuel efficient tire specifications. I believe this companion study will be coming to you next month.

We recommend that the Energy Commission obtain data on consumer preferences in purchasing tires. Understanding the tradeoffs between the range of factors affecting tire selections by consumers for energy efficiency to durability to how tires are marketed will help us develop an energy efficient tire program, and encourage fuel efficiency through the use of low rolling resistance tires.

We recommend that the Energy Commission cooperate with the tire industry and the Rubber Manufacturers Association in their campaign to promote tire inflation and care.

And, finally, we propose that a research and development program, in cooperation with other agencies, such as the California Integrated Waste Management Board, to minimize the tradeoffs with improve fuel efficiency, be explored and implemented.

Specifically we recommend that research and development should focus on extending tire life while reducing rolling resistance.

This, in a nutshell, are our findings and recommendations in the two-volume report. With these, we ask for your support of this report.

PRESIDING MEMBER BOYD: Mr. Chairman.

CHAIRPERSON KEESE: Thank you. Commissioner Boyd.

PRESIDING MEMBER BOYD: First I'd like to indicate that this report has been followed and reviewed by the Transportation Committee, who approved its forwarding to the Commission for approval.

There was a caveat in that approval, and I just want to reference it today. We went ahead with the idea of bringing it to the Commission for the meeting because of the need to get this report out the door.

The caveat was that the staff finish its review with regard to form, not as to policy and content, before we actually submit it. So, there's an effort underway to smooth it and finalize it in that fashion, but not to change the

content at all.

So, with that I would like to move adoption of the report.

CHAIRPERSON KEESE: Motion by Commissioner Boyd.

COMMISSIONER ROSENFELD: I'd like to second it, because I think it's a great report.

CHAIRPERSON KEESE: Second by Commissioner Rosenfeld.

I have a few questions --

COMMISSIONER PERNELL: Yeah, on the question --

CHAIRPERSON KEESE: -- Commissioner Geesman has some questions.

COMMISSIONER GEESMAN: Yeah, I had a question for Mr. Koyama. I didn't hear either today or in our discussions at the Transportation Committee, any reference to research being done by the federal government in this area. I wonder if you could describe or summarize the status of federal R&D on tire efficiency?

MR. KOYAMA: I think I'll refer to Mr. Calwell on that. He's more familiar with that effort than I am.

MR. CALWELL: The primary record on

federal activity in this regard was that it's a proceeding in '94 and '95, during which the agency evaluated the possibility of adding rolling resistance labeling information to tires mandatorily. So, much of the public record that exists centers around that period of time.

And separate from that I think the only other substantial research might be linked to the National Academy of Sciences proceeding that just finished up last year. And also the partnership for a new generation of vehicles, where there might be a very small amount of research.

But in both cases that's oriented toward new vehicles, whose tires are already fairly efficient, as opposed to the replacement tire market being discussed here.

COMMISSIONER GEESMAN: I think as we get further into the year on our transportation work and begin producing more reports and inputs into the IEPR we're likely to open up a growing gap, unfortunately, between efforts that the State of California seems inclined to make, and those that the federal government has chosen, for whatever reasons, to go slow on.

And I think it would be helpful to the

Commission and to members of the public that participate in our proceedings, if the staff attempted to identify where those discrepancies exist. I suspect they'll be gathering a great deal more attention as time passes.

MR. KOYAMA: Yeah, we will definitely monitor --

COMMISSIONER GEESMAN: And I do think it's an excellent report, Mr. Chairman.

CHAIRPERSON KEESE: Two points. Ms. Bos, would you like -- we have a letter that was received this morning --

MS. BOS: Yes.

CHAIRPERSON KEESE: -- so we'll just enter it in the record here.

MS. BOS: Yes, thank you. It's from the Natural Resources Defense Council. it is addressed to Commissioner Keese:

> "The Natural Resources Defense Council supports the recommendations made by Commission Staff towards developing a tire efficiency program in California. Given the steady rise in vehicle miles traveled in the state, and the increasing strain on our petroleum reserves, we encourage the

innovative route being examined by the CEC in identifying low tires, which can significantly impact fuel economy.

"We look forward to the implementation of the recommendations and to continuing work with the CEC toward developing this and other petroleum-reduction strategies. Sincerely, Donna Liu, Natural Resources Defense Council."

And that's just for the record. That fax only came this morning.

CHAIRPERSON KEESE: Thank you. I had not received it, but somebody else --

MS. BOS: Yeah, just came this morning.

CHAIRPERSON KEESE: I have some follow-on questions to Commissioner Geesman's.

You've answered half of it in saying that new tires are better than replacement tires.

MR. CALWELL: Yeah, in general OEM tires, original equipment tires seem to have slightly better rolling resistance than the average replacement tire.

CHAIRPERSON KEESE: I would assume that's a conscious effort by the carmakers?

MR. CALWELL: Yes, the carmakers are

under obligation to meet federal CAFE standards. And so rolling resistance targets can be established for the tires that are placed on them.

CHAIRPERSON KEESE: That was my assumption, that the rolling resistance is beneficial and they have determined that, on balance, they can achieve that without jeopardizing consumer interest and safety. Is that --

MR. CALWELL: Yeah, in fact, I would say it's almost somewhat better than that, because the new cars are subject to very stringent testing by automotive magazines regarding their traction and their performance in cornering and so forth. So the tires have to perform exceptionally well under those conditions.

COMMISSIONER ROSENFELD: Well, by EPA as well as the magazines.

MR. CALWELL: Yeah, EPA's testing would be primarily for fuel economy and emissions. But the magazines are testing for other attributes of car performance.

CHAIRPERSON KEESE: Is that a conclusion by the auto manufacturers something which there is scientific evidence that we could piggyback on in

our analysis of the replacement tire market?

MR. CALWELL: I'm not sure I understand the question, I'm sorry. One more time?

CHAIRPERSON KEESE: Well, if the auto manufacturers have already made this independent decision that they want to reduce rolling resistance; have accomplished it by, I guess, in their bidding for tires, asking for it. Is there research that -- have we tried to find out whether they have the justification that we could use in the replacement market that they used in the original market?

MR. KOYAMA: Yeah, again, what we have asked for data from various sources and the data was not given to us.

CHAIRPERSON KEESE: It has not been forthcoming?

MR. KOYAMA: Yeah. And in some cases, as the tire manufacturers indicated to us, after-market tires, the tires you buy to replace the original equipment tires, may not actually have been tested for rolling resistance.

And it could be that the specifications that manufacturers require include a rolling resistance criteria, but we don't know what it is.

MR. CALWELL: All I was going to add to that is --

CHAIRPERSON KEESE: We just know that, in effect, they do have a lower rolling resistance, is that --

MR. KOYAMA: It appears so.

MR. CALWELL: The auto manufacturers have not made their own specs a matter of public record. So, they exist, and the fact that they include a rolling resistance criteria is known, but we just don't know the physical numbers.

CHAIRPERSON KEESE: Um-hum.

MR. CALWELL: And it's not always straightforward to identify which models in the marketplace are sold only as replacement, only as LV or actually available for both purposes.

CHAIRPERSON KEESE: And would see a distinction between other manufacturers? Are some doing it and some not? Or is it pretty well --

MR. CALWELL: Well, we obtained evidence that three of the manufacturers are using this more advanced test method, which is SAEJ2452. And so that was part of the basis for recommending that the state use it, was that the carmakers had gone to the most advanced method available.

We don't know in every case what the overseas manufacturers were using because they were harder to get information from than the domestic manufacturers.

CHAIRPERSON KEESE: Okay. So, since I don't sit on the Committee, what is our recommendation then?

MR. KOYAMA: Our recommendation is basically to obtain this additional data, either through, you know, further dialogue with the tire manufacturers or to actually go out and do the testing, ourselves. And paying an independent laboratory to do the testing.

Now, I have to say that none of the independent tire labs that Ecos Consulting contacted has the equipment to do that testing at this point. But to obtain that data is, to us, essential to begin formulating a program for implementing an energy efficient tire program.

MR. CALWELL: And we noted in the report a capital cost of about $200,000 for an independent lab to obtain that equipment and come up to speed for J2452 testing.

CHAIRPERSON KEESE: And about 800,000 for us to do the study, I believe was the number?

MR. KOYAMA: Yeah, that was not intended to buying the equipment for the independent lab. It was mostly intended to pay for testing the tires, plus doing evaluation, hiring tire experts. Those of us on staff are, you know, consumers just like everyone else here, I suspect, except for the tire industry. And, you know, we just know what we're looking for when we go out and buy a tire.

So we do need expertise in this area.

COMMISSIONER PERNELL: Mr. Chairman.

CHAIRPERSON KEESE: Commissioner Pernell.

COMMISSIONER PERNELL: Are the manufacturers saying that this is proprietary information on the tires as to why they won't provide the information? Or they just don't have it?

MR. KOYAMA: I think I'd like to defer to the tire manufacturers, or the industry for them to answer that question.

COMMISSIONER PERNELL: Are they in the audience?

MR. KOYAMA: Yes, they are.

COMMISSIONER PERNELL: Oh. Can we have --

CHAIRPERSON KEESE: If we have somebody who's willing to try to answer that question, we would appreciate it. Good morning; please identify yourself for the record.

MS. NORBERG: Good morning. I'm Tracy Norberg from the Rubber Manufacturers Association. And we represent the tire industry.

I do have prepared remarks to make that do address that point, if you'd like me to begin there, or jump right into the question?

CHAIRPERSON KEESE: Sure.

MS. NORBERG: I'll do either.

COMMISSIONER PERNELL: That's fine, you can begin with your remarks and --

MS. NORBERG: Okay.

COMMISSIONER PERNELL: -- they will probably answer my questions.

MS. NORBERG: Okay. And, please, ask questions as I proceed, or at the end. I'd be glad to answer any questions that you all have.

As I mentioned, we're the Rubber Manufacturers Association. We represent all of the major tire manufacturers in the United States. Not only those manufacturers that are actually based in the United States, but all tire

manufacturers that sell tires in the United States.

We also represent a whole gamut of other rubber product manufacturers, belts, hoses, gaskets, seals, pretty much anything that would be under the hood of your car or underneath your car our member companies make.

We have participated in all of the stakeholder meetings that have been held on this issue, and are really really committed to participating and providing industry expertise and experience in helping the CEC craft an appropriate program here.

And, I think as has been mentioned, we have provided industry input throughout the process.

One thing I'd like to start with is to explain the relationship between tires and fuel economy. We understand the interest that California has in looking at fuel consumption and tire rolling resistance.

As you are well aware at this point, tires' rolling resistance does contribute to fuel economy. And when we're talking about rolling resistance, we're basically talking about how much

resistance it takes that tire to overcome the inertia to move that car forward.

This is one of the many many interrelated areas that tire manufacturers look at when designing new tires. Some of the most critical aspects that you are all probably familiar with are tire safety and performance. Dealing with traction, both wet and dry traction, snow traction, for example.

And then other parameters such as noise, ride, handling, comfort, all of these things factor in, as well.

And then one critical area that we are concerned about that also relates to the environment, is treadlife. Oftentimes because of the chemistry that's involved in manufacturing tires, all of these factors are interdependent, so when one factor is maximized, another factor might be negatively affected.

COMMISSIONER ROSENFELD: Or positively.

MS. NORBERG: Right, exactly, they're all --

COMMISSIONER ROSENFELD: Just don't suggest that there's a negative correlation.

MS. NORBERG: It depends on the factors

honestly, and it depends on what the tire engineer is trying to achieve. So -- but, often --

COMMISSIONER ROSENFELD: But you -- I read this report carefully. There is lots of good data. There's absolutely no data which suggests any negative correlations; nor positive, as far as that goes.

MS. NORBERG: Right. We have actually commented on those areas as part of our public participation in this process, but I don't think are reflected in the final report that's been presented to you today.

But I think honestly we feel that there is, based on tire industry expertise, there is a definite tradeoff involved in all of manufacturing tires.

COMMISSIONER ROSENFELD: A definite negative tradeoff? Or just may be a tradeoff? Because you keep suggesting that it's a negative tradeoff.

MS. NORBERG: It depends on the parameters that the tire engineer is trying to achieve in designing the tire. So, you might see, for example, that a particular tire is designed to meet consumer needs for maximum traction. And

that tread compound might be a softer compound in order to achieve maximum traction, but treadlife may be compromised because when a compound is softer it will also abrade more quickly on a roadway.

So, in these cases you see a very positive tradeoff for traction, but maybe a negative tradeoff for treadlife. And so -- I think when I try and explain this one thing I always say, it's not that any tire is better or worse. They're just different. They meet different consumer needs and consumer demands to achieve what a vehicle might require and what a driver might require.

So, when we look at these things it's positive and negative really does simplify it, and I agree with you, but it depends on what a particular tire is designed for, and how those different parameters are valued.

COMMISSIONER ROSENFELD: I don't want to hold you up forever, but --

MS. NORBERG: Sure.

COMMISSIONER ROSENFELD: -- in this report there are quite a few correlations based on only, I don't know, 39 tires or something. You

have a lot more information.

MS. NORBERG: Right.

COMMISSIONER ROSENFELD: I assert that when I look at those I don't find any correlations whatsoever. You have a lot more data. Are you asserting that there are data which give negative correlations which you're not giving us?

MS. NORBERG: There is very limited data on rolling resistance, in general, as has been discussed here in the last few minutes. Rolling resistance data, itself, is something that's collected primarily to meet the original equipment market.

And so tires that are in the replacement market often, and most often do not have rolling resistance data available.

It's an important distinction here because when we look at tires that are manufactured for original equipment uses, those tires are designed very specifically to meet those vehicles. The tires that are put on your Ford Taurus, for example, are going to be a very very different set of tires than might be on your SUV or even another passenger sedan. Because they're designed for that vehicle.

Yet, when you go to a tire store and you want to replace tires on your Ford Taurus or whatever brand of car you may drive, that same set of tires that you can buy in a tire store is going to be an appropriate fit-ment for a whole range of vehicles.

So, replacement tires have to be designed to really fit a broader range of vehicle uses and consumer needs.

And then the other thing I think that's important to point out here, when we're talking about original equipment tires, is that they are designed to meet vehicle manufacturer specifications that are often very different than what a consumer might be looking for when they go out to buy a tire.

For example, a vehicle manufacturer wants your tire to handle well and ride well. Noise is a big factor of them, so that when you go to test drive that new car it rides, you like the handling, you like the ride, it's quiet. And rolling resistance plays a part in that.

But one thing you won't see when you buy a new car is -- usually, I've never seen it -- is a treadwear guarantee of any kind. So, treadwear

is a compromise there.

The tires you get on your brand new vehicle are not going to last you as long as the ones you go out and buy in the tire store.

PRESIDING MEMBER BOYD: So is it a fact that when the tires on my new vehicle wear out, and they're brand X, and I am very satisfied with brand X and I seek out a dealer who handles brand X and say I want to replicate the tires that came on my vehicle from the manufacturer, in reality I'm not going to get the same tire, even though it's labeled the same on the side of the tire?

MS. NORBERG: There are a couple answers to that question. I think in most, if not all, cases you can actually purchase OE tires, original equipment tires, for your vehicle. In some cases it might be a special order; and in other cases your dealer might carry them. So those tires are available to you as a consumer to replace them.

PRESIDING MEMBER BOYD: But I would have to make that point to the dealer if I just wanted brand X? Give me brand X again, because I really liked it. I'm not going to get the same tire that really came on my car because that was a tire specifically requested by the auto manufacturer to

meet its criteria. And one of its criteria was rolling resistance because it has to meet CAFE.

But I'm not, as a consumer, going to necessarily get that same benefit because I don't know to ask for the same tire with the same rolling resistance requirement?

MS. NORBERG: Yeah, I think that may be a question that would be better answered by one of our members, to be honest with you. And I think it may depend on the manufacturer.

I do know that in most, if not all, cases you can buy that OE tire if that is what you prefer to put on your vehicle.

But very honestly, I think oftentimes consumers walk in and may want that same brand because they liked its performance characteristics, for example. But they may also want it to last a certain amount of time, so you might look at wanting to buy a 60,000 mile tire, for example, which would not be available to you on your new car. So there are definitely different characteristics that are available to you in the replacement market.

PRESIDING MEMBER BOYD: But I would suggest the great majority of the public has no

idea that there's this distinction, that they would have to go so specific in their requirements to exactly replicate the tire. They bought brand X, they're getting brand X again, they think they're getting the same tire. And, gee, it comes with a nice 60,000 mile warranty, as well.

I posit they don't know the difference, so, there --

MS. NORBERG: I think it would probably depend on the tire manufacturer how much the compounding were to be different, to be honest with you. That would be a question I don't know if anyone --

COMMISSIONER PERNELL: So if there's a -- actually you've answered two of my questions, so you're --

MS. NORBERG: Good.

COMMISSIONER PERNELL: -- I think you're doing quite well. Just to bring this into perspective, we know that, you know, there's a difference in a racing tire that's built for traction, than a consumer, you know, soccer mom, homeowner type tire or vehicle.

But all of them have factory recommended tires that go on there. And what you're saying,

what I think I'm hearing you saying is that the tire that's bought on a new vehicle, which is factory recommended from the manufacturer, is different than the factory recommended tire on that same vehicle for replacement tire. And --

COMMISSIONER ROSENFELD: There is no factory recommended on the replacement tire.

COMMISSIONER PERNELL: Well, when you go to the --

COMMISSIONER ROSENFELD: -- on the replacement tire --

COMMISSIONER PERNELL: -- when you go to the tire shop and say I have a 1993 Oldsmobile, and you give the engine size and all of that, he goes to the book and say, this is the tire that's factory recommended for that vehicle. Is that the way it works?

MS. NORBERG: I think the recommendations of the tire store are likely based on tire industry recommendations for your vehicle.

COMMISSIONER PERNELL: All right, so let me ask you another question. Do you understand what we're trying to get at here, in terms of tire resistance and fuel economy? In order to get the information we need to effectively evaluate that,

where would we go? To the manufacturer of the automobile, or to the manufacturer of the tires?

MS. NORBERG: I think the issue right now is that the data that does exist is on these original equipment tires. And because they are designed very differently, we don't feel that that data is applicable to the replacement market.

We actually, last week, took a very quick survey of our member companies, and we got most of them to respond in a couple days, not all of them. But we found that less than 5 percent, or around 5 percent of tires that are manufactured here are actually for original equipment uses. And of that 5 percent, data is not going to be available on every single one of those original equipment tires because no every single one of them requires it. High performance vehicles might not require it, and some other types of new vehicles. There may not be rolling resistance data for the tires that go on them.

So, basically we're talking about a population of less than 5 percent of tires that are out there that we have any data on at all. And most of that data --

COMMISSIONER ROSENFELD: Excuse me, --

MS. NORBERG: -- is not, they're not the same tires as you would buy in a store.

COMMISSIONER ROSENFELD: Hold on a second.

MS. NORBERG: So, --

COMMISSIONER ROSENFELD: When you say 5 percent, you're suggesting to me that on my car I go through 20 sets of tires in the lifetime of the car? That being the reciprocal of 5 percent. Now, how the hell does that happen?

MS. NORBERG: No, what I'm saying basically is that if we look at the whole population of tires that are manufactured in the U.S. And by that I'm not saying just tire models, but we look at model and size, so that we get all the unique tires --

COMMISSIONER ROSENFELD: Oh, 5 percent of the models.

MS. NORBERG: -- manufactured -- right. And so --

COMMISSIONER ROSENFELD: Okay, --

MS. NORBERG: -- we say less than 5 percent of those tires there actually is rolling resistance data on that now. It may not be the same test --

COMMISSIONER ROSENFELD: Okay.

MS. NORBERG: -- method. And also the data, as you probably read in, I think, in the consultant report, the data oftentimes is not comparable because there are a couple different test methods, and it's very hard to get the right correlation so that you can compare data across machines and across companies.

So even that little population of data that exists is not comparable to itself. So then we look at the rest of it which is over 95 percent, the data does not exist. And as we look at it in the industry, that less than 5 percent that does exist is not representative of the rest of the universe.

And so I think the tire industry is really very willing to cooperate, but what we think, and totally agree with the staff recommendation, is that there needs to be more testing. And there needs to be more data before any recommendation is made.

So we actually totally support the recommendation in that way. And really, I think we have in every meeting, and I do today, volunteer tire industry expertise to help assist

design that protocol, so that you get the most representative data that you can.

CHAIRPERSON KEESE: It would seem to me that between the new car manufacturers who obviously do some research before they put their specs together, and the tire industry, which does some work in producing those tires and in producing the replacement market, the resources that are devoted to this issue, including rolling resistance, have to be significantly higher than we would ever be able to apply ourselves; so that a cooperative effort with the two industries and working with us and perhaps other governmental agencies, would undoubtedly produce a better result than what we would produce if we just did our little report and tried to inflict something on the industry that has far more resources.

So, I would hope that the result of this could be some collaborative effort to look and answer the questions which clearly that the report details are still out there.

MS. NORBERG: I definitely agree. I think the tire industry is interested and committed in doing something collaborative. And from our point of view that always turns out to be

better and more productive for everyone involved, whether it's a government agency like the CEC, or the industry.

CHAIRPERSON KEESE: Thank you. Do we have any more questions up here?

COMMISSIONER PERNELL: Just one final question.

MS. NORBERG: Yes.

COMMISSIONER PERNELL: Do you see the industry, and this is a follow-up to Commissioner Keese, do you see the industry moving in that direction, given the interest of the State of California, and I would suspect at some point the federal government, do you see the industry moving in a direction of collecting information or data on tires and their resistance, rolling resistance?

MS. NORBERG: For the replacement market. I think honestly that would depend on the consumer demands and other demands placed on the industry.

But I will say that one thing that has to be kept in mind here is that the tire industry is always looking to make innovative products. And the lessons they learn in the OE, original equipment, tire market are often applied to the

replacement market.

I really don't want to leave you all with the impression that there are two isolated boxes and they never talk, because the technology does transfer.

But I think in the replacement market tires are built to last a long time, and to -- they look at different consumer demands, honestly, when they're manufacturing tires. But those kinds of studies, I think, would probably depend on each individual manufacturer to some extent, as well.

An additional thought I wanted to bring up is it's one thing that might bear on this, is the whole issue of looking at data in other geographic regions, not U.S., but Europe, for example, and I believe the consultant report discusses that to some extent.

In actuality we see the rolling resistance that from Europe as being overall higher than it is here in this country. So that's an important thing to remember, as we look at rolling resistance. That actually, on average, even looking at the data that's presented in the consultant report, that the average rolling resistance on the replacement tires they tested

was, in fact, lower than data that were presented from European sources.

So, I mean, definitely we see that being valued here in the U.S.

CHAIRPERSON KEESE: Thank you. We have a couple more questions. Had we let you finish your presentation or --

MS. NORBERG: The only thing I guess I wanted to mention, a couple quick things. As you all look forward to possibly recommending further study, one thing that we feel that's very important is not only that new tires are tested, but that tires are tested as they age. Because rolling resistance will change as a tire ages, as the tread compounds are flexed and the tire is in service. So that's an important aspect.

As well as important for the study to include not only rolling resistance testing, but some measurable parameters looking at treadwear, for example, and other tire performance parameters, so that instead of just looking at consumer data to benchmark those other tire characteristics, we can look at hard data. Not only on rolling resistance but tread life, traction, all of these important characteristics.

So we can understand with data are there tradeoffs, and what are they, so that you all can make an informed decision about where to go next.

And actually, I think, we had seen in the consultant report the recommendation that the fleet, California State fleet vehicles may be an ideal testing ground for that. And we fully support that idea, because you've got a huge population of tires and vehicles, different vehicles, service types, driving conditions, users, all sorts of different things that could factor into developing really a comprehensive testing program that could be very educational and beneficial.

The last thing I wanted to mention is that there's been some talk of our tire education campaign that we have, we're now in our third year on. And I think in the staff recommendations to you all, there was a recommendation for the CEC and RMA to work together in some way on tire care and safety.

And we want to applaud this, first of all. And actually basically state that we're open to any kind of collaboration and cooperation we can on our tire safety campaign.

We are focusing on the west in our campaign this year, and we will be out in California promoting tire safety, I believe, during the month of April and additional venues as we can put them together. And we welcome any and all partners that we can have in this project.

So, --

COMMISSIONER PERNELL: And that's strictly on safety, not rolling resistance?

MS. NORBERG: Our tire care and maintenance campaign looks at four critical areas of tire care. Maintaining proper inflation pressure; proper alignment; proper rotation of tires; and tread-depth, maintaining proper tread-depth on tires.

All of those things factor into proper rolling resistance on vehicles. And while it was mostly designed as a safety campaign initially, as we look at it now, in its third year, we see definite environmental benefits, not only on rolling resistance and fuel economy, but also on tread life and tire life. As tires are maintained properly they last longer. And they also perform better on vehicles, enabling the vehicles with the same tires to achieve better fuel economy.

CHAIRPERSON KEESE: Thank you, Ms. Norberg.

PRESIDING MEMBER BOYD: Mr. Chairman.

CHAIRPERSON KEESE: Commissioner Rosenfeld is in front of you.

COMMISSIONER ROSENFELD: I have a couple of questions for you, Tracy.

MS. NORBERG: Um-hum.

COMMISSIONER ROSENFELD: Measurement. You said, of course, tire life, tread life is important. But, as a consumer I get a pretty good idea about that because they're warrantied for 50,000 miles. And so that's virtually labeled already.

When it comes to rolling resistance, on the other hand, as a consumer of tires when I drive into a replacement tire outfit they barely know what the word rolling resistance means. And it's certainly not on the tires.

Where I'm coming from is that this is a lot of gasoline. If I use -- the typical American car uses 500 gallons a year, even if it's not an SUV, and tires last a few years. So, we're discussing like 2000 gallons of gasoline.

If I look at the spreads in rolling

resistance here, they are plus or minus 20 percent. So that's 400 gallons that's at stake that's not labeled. That sounds shocking to me.

And so my question is, is it in the plans of the rubber manufacturers to move in the direction of having rolling resistance visible as a label on tires?

MS. NORBERG: I think it's definitely an option that the industry is willing to discuss as this dialogue continues. One thing I will say is that the information provided to consumers when they're purchasing tires is, I think in most, if not all, of our manufacturers' cases, based on consumer research.

And they do ask questions dealing with environmental issues like fuel economy. They don't ask about rolling resistance, I don't think. For the most part I don't think consumers would know what that means, so they look at fuel economy instead.

COMMISSIONER ROSENFELD: One of the reasons is because there are no labels.

MS. NORBERG: Yeah, well, I think in the past the industry has not seen that consumers are interested in those characteristics when they're

purchasing tires.

And definitely, as we go forward with this discussion, we're open to participating in all forms of dialogue on this issue.

COMMISSIONER PERNELL: But I would argue that's because they don't know the effect of rolling resistance on their gas purchases. And so the educational program that you mentioned, which I would applaud, should go a little deeper than just safety of tires and treadwear and et cetera.

And all of those are good things, but I would argue that perhaps you need to add one more element to that educational program. Just a suggestion, not a question.

MS. NORBERG: Yeah, I mean I understand it wasn't a question. I can say, though, as a trade association we're kind of limited from participating in marketing kinds of activities. So we have to come up with where all of the industry can come to consensus on consumer education. And these kinds of questions really get in very close to marketing.

So I think when we look at rolling resistance, one place the industry can all agree, and it's not really a marketing issue is proper,

maintaining proper tire inflation pressure. But we definitely hear your point.

COMMISSIONER ROSENFELD: Okay, before I switch to my second question, which is shorter, I guess I will say that your industry will go way the hell up in my estimation if it starts getting across to consumers the idea that there are several hundred gallons per tire, per set of tires, at stake if you don't look at the rolling resistance. And the rolling resistance would be a great thing for you to help conserve if you're believing that we're running out of gasoline.

The second one is I guess I have the feeling that the designer, the specifier for a new car knows a hell of a lot more about tires than I do as a consumer.

So, I'm back to Commissioner Boyd's point. When I drive in to get my replacement tires, I would sure as hell like to be able to say I want a tire that was one of the several brands of tires that was specified as OEM tires for that car.

Is the Rubber Manufacturers Association prepared to do anything about that information? Make it easier for me to find out and order which

tires which correspond to original equipment as to replacement tires.

MS. NORBERG: I'd be glad to take that concern back to our member companies. I think, again, that question really borders on marketing kinds of areas that we don't, as a trade association, get into. But I'd be glad to pass that on to our member companies and, you know, see what they can do.

CHAIRPERSON KEESE: Commissioner Boyd.

PRESIDING MEMBER BOYD: I very much appreciate the dialogue that has taken place here because the audience and all members of the Commission have now been introduced to some of the issues that the staff and the consultant and those of us who worked on this report have seen.

And I do know that Commissioner Rosenfeld has a deep interest in this. In fact, he probably introduced this subject to me even before I came to work here, quite some time ago.

So, I think California is helping this issue turn the corner. And this report is just a small down payment on the investment that needs to be made to do all that we've questioned about. Some day, maybe, a fourth panel goes on the side

of the tire, along with the codings for treadwear, temperature and traction, to give the consuming public an idea of what's involved in rolling resistance. And let them make the choice on how they want to spend their money on the better fuel economy or on a tire that will go 80,000 miles, or what-have-you.

In any event, I really welcome the comments of the industry to work with us. I think apparently there is somewhat greater cognizance on the part of some part of the public in Europe than there is in this country on the subject, based on the witness' comment.

And I would just indicate that probably has something to do with the price of gas in Europe vis-a-vis the price of gasoline here.

Later this spring this Commission will be hearing a report that the Legislature requested quite some time ago of the Commission, about how to reduce dependence on petroleum in California. And do we have a problem in California with supply versus demand. And I personally think we do.

And I think the public is going to be introduced more and more to the fact that supply and demand is going to equal higher costs, and

will become more interested in this subject.

So we will revisit this. This is one of the strategies in the draft material already of the so-called AB-2076 study on how do you address efficiency, vehicle efficiency, fuel efficiency, which we think Californians are going to have to pay more and more attention to in the not too distant future.

So, I welcome the opportunity for us to work with this industry and maybe turn a page, as goes California so goes a lot of other states, on many occasions. So I think we're off into a new frontier with regard to an effort here.

And I think, speaking for the staff and the Commissioners here, we look forward to working with the industry in making more of these discoveries together. Thank you.

CHAIRPERSON KEESE: Thank you. Thank you, Ms. Norberg.

MS. NORBERG: Thank you.

CHAIRPERSON KEESE: Do we have anybody else in the audience that wishes to testify on this issue?

MR. CALWELL: Mr. Chairman, I might add one more thought, just it struck me from the

Commissioner's last comment.

We have seen a lot of interest in our consultant's report in states outside of California. And I definitely have a professional sense that other state procurement processes, and potentially the federal one, may change in the future, depending on the outcome in this state.

So the SB-1170 process is being closely watched. And I hope we can move forward here, not only on the tires, but on the other recommendation the Germans made when they came to our first public workshop, which was regarding motor oils, the potential for savings there, as well.

CHAIRPERSON KEESE: Thank you. I believe we have a motion and a second.

All in favor?

(Ayes.)

CHAIRPERSON KEESE: Opposed? Adopted five to nothing. Thank you for the education.

MR. KOYAMA: Thank you very much.

CHAIRPERSON KEESE: That's the last; as I mentioned, item 5 is over.

Do I have a motion on the minutes?

COMMISSIONER GEESMAN: So moved.

COMMISSIONER ROSENFELD: Second.

CHAIRPERSON KEESE: Motion, Geesman; second, Rosenfeld.

All in favor?

(Ayes.)

CHAIRPERSON KEESE: Opposed? Adopted five to nothing.

Commission Committee and Oversight.

Chief Counsel's report.

MR. CHAMBERLAIN: I have no report to make, Mr. Chairman.

CHAIRPERSON KEESE: Executive Director's report, other than later?

MR. LARSON: Later in conference room 2.

CHAIRPERSON KEESE: Okay, the --

COMMISSIONER PERNELL: Second floor?

CHAIRPERSON KEESE: -- the Commission, as soon as we are done here the Commission will adjourned to conference room 2, the conference room on the second floor, for a report on fiscal and personnel issues. No substantive action will be taken at that time.

Public Adviser's report.

MS. BOS: None.

CHAIRPERSON KEESE: Any public comment at this time?

Seeing none, subject to our later meeting, this meeting is adjourned.

(Whereupon, at 11:00 a.m., and upon conclusion of later meeting, the Business Meeting was adjourned.)

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CERTIFICATE OF REPORTER

I, PETER PETTY, an Electronic Reporter, do hereby certify that I am a disinterested person herein; that I recorded the foregoing California Energy Commission Business Meeting; that it was thereafter transcribed into typewriting.

I further certify that I am not of counsel or attorney for any of the parties to said meeting, nor in any way interested in outcome of said meeting.

IN WITNESS WHEREOF, I have hereunto set my hand this 23rd day of January, 2003.